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WESTERN POWERS DIFFER ON GERMANY'S ROLE UNDER MARSHALL PLAN

BARELY had the conference on European cooperation closed its first session in Paris than it became apparent that the Western world is sharply divided on the future of Germany, an essential component of any plan for European reconstruction. The directive to General Lucius D. Clay, American Commander in Germany, issued by the United States government on July 15 (superseding the famous Joint Chiefs of Staff directive 1067/6 of 1945 which has hitherto regulated military government) is less important for the introduction of new concepts than for the official crystallization of current American ideas and practices.

U.S. GIVES PRIORITY TO GERMAN EXPORTS. The most significant, as well as most controversial, feature of the July 15 directive is the emphasis it places, in line with the Hoover report of February 27, on the character of Germany's recovery. General Clay is instructed that the economic objectives of the United States in Germany are to eliminate industry used chiefly to manufacture arms, ammunition and implements of war; to exact from Germany reparation for losses suffered by the United Nations as a result of German aggression; and "to encourage the German people to rebuild a self-supporting state devoted to peaceful purposes, integrated into the economy of Europe." The crux of the directive is the adoption of "a production and foreign trade program for Germany as a whole which should be directed toward an increasing standard of living and the attainment at the earliest practical date of a self-sustaining German economy." Exports are to be encouraged in every possible way. Proceeds of exports are to be pooled, and made available "first to meet the import needs of Germany" for a time and in an amount to be determined hereafter, "and secondly to compensate the occupy-

ing powers for past expenditures." The directive makes it clear that, quite aside from the contribution a restored German economy could make to the recovery of the European continent and thus to the success of the Marshall plan, the United States is first of all preoccupied with repayment of the sums it has spent and is spending on essential imports of food and raw materials into the American zone of Germany, and with the future reduction and eventual elimination of such expenditures.

FRANCE GIVES PRIORITY TO VICTIMS OF GERMANY. This concern of the United States may appear entirely reasonable to some American taxpayers, but clashes with the fear of devastated European nations that German economic recovery, encouraged and aided by the United States, may result as after 1919 in the re-emergence of a powerful military state in the heart of Europe. When Russian Foreign Minister Molotov, in the preliminary Paris talks, bluntly said that the Marshall plan would give priority to German recovery, his statement was dismissed by a large sector of the Western press as inspired solely by Moscow's desire to prevent the economic unity and reconstruction of Europe. Yet two weeks later, on July 18, French Ambassador Henri Bonnet submitted to the State Department France's objections to American plans for expansion of Ruhr coal production without safeguards on the use of this coal; and on July 20 French Premier Ramadier declared that the countries attacked by the Germans had "an unquestionable right of priority" over Germany in any European reconstruction program.

The French, who urgently need coal and are now forced to import it from the United States at a price nearly double that prevailing in Europe, are just as anxious as this country that the output of the Ruhr mines should be increased. They want to be

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sure, however, first, that the Ruhr should be administered not by German industrialists (who proved to be among Hitler's staunchest allies) but by an international administration; and, second, that the increased amount of coal should be used not for expansion of Germany's steel production, as urged by both the United States and Britain, but for expansion of steel production in France, as envisaged under the three-year Monnet plan for French industrialization. In short, the French agree with Washington on the need to use German resources for European recovery—but want to give priority to devastated countries which would otherwise again be at a disadvantage as compared with the more industrially advanced and technically skilled Germans. France's point of view on this matter is far closer to that of Russia and its Eastern European neighbors than to that of the United States and Britain.

WHAT KIND OF PLANNING? But it is not only with France that the United States disagrees on German recovery. American spokesmen have been highly critical of what they consider faulty British administration of the Ruhr coal mines, and have urged an Anglo-American conference on measures to increase the output of coal. The British, however, take the view that coal production cannot be increased without improvement in food, housing and other conditions in the Ruhr, for which Britain, with its straitened resources, is unable to provide, especially when such improvements require imports to be paid in dollars.

The United States and Britain also differ as to management of the coal mines. The British Labor government, in line with its own policy at home, favors socialization of the mines. The United States,

CAN U.S. AID TO GREECE SUCCEED WITHOUT POLITICAL REFORM?

The American mission to Greece is undertaking its task of strengthening the Athens government by military and economic assistance under conditions much more explosive than those which prevailed when the Truman Doctrine was enunciated four months ago. On July 13, the day before Dwight P. Griswold, head of the American mission arrived in Athens, 2,000 guerrillas were reported by Greek government sources to have crossed into Greece from Albania and engaged the government's forces in some of the most bitter fighting which has taken place since the Greek army opened its offensive against the Communist-led rebels on April 9. A few days later, on July 16, the clandestine radio of the "Democratic Army," successor to the wartime resistance movement known as ELAS, broadcast a message by its commander-in-chief, General Markos, which seemed to foreshadow the creation of a "free" Communist state in northern Greece.

RIGHT AND LEFT DRAW TIGHT LINES.

which supports free enterprise here and hopes to see it developed or restored abroad, specifically instructs General Clay to "refrain from interfering in the question of public ownership of enterprises in Germany, except to insure that any choice for or against public ownership is made freely through the normal processes of democratic government."

The more the Marshall plan is discussed on both sides of the Atlantic, the more obvious it becomes that its implementation will require a degree of national and international planning never before officially contemplated by the United States except in time of war. Planning is not an exclusive feature of socialism or communism, being widely practiced by individual concerns and vast industrial establishments under the American system of free enterprise. It is conceivable that the Marshall plan could be carried out on the continent under non-socialist conditions. What is not yet sufficiently understood here, however, is that exponents of free enterprise in Europe have hitherto shown little of the industrial statesmanship and eagerness to adopt new and still newer methods displayed by leading American industrialists. When, therefore, we demand—as we shall be doing with increasing vigor—that Europe modernize its industrial and agricultural production in order to achieve maximum self-help and thus eventually ease the burden of American taxpayers, we may find ourselves demanding, sometimes unwittingly, that the levers of economic command be taken over by new leaders, whatever their political label, who are willing to break through the maze of restrictive and obsolete practices which in the past has hampered the highest possible utilization of Europe's resources.

VERA MICHELES DEAN

Whether General Markos exercises effective control over all the guerrillas in Greece and the additional thousands believed to be in Yugoslavia and Albania is not known. The Greek government, however, became seriously alarmed by his statement and similar proposals made by other Communist leaders during the past month. The emergence of a "free" state, it was feared in Athens, might furnish Albania, Yugoslavia and Bulgaria, a pretext to recognize the guerrillas as belligerents and openly aid them. Panic spread in government circles, and the police, in carrying out the cabinet's order of July 9 for the mass arrest of Communists, included a large number of moderates and even some well-known Rightists in the group of more than 4,000 thus far arrested and imprisoned. Whatever may be the result of the current engagement near the Albanian frontier, the outcome of the military and political struggle between the Greek government and the Communist-led opposition depends in large part on

the future course of American policy toward Greece.

In the Security Council the United States is continuing to urge the acceptance of the recommendation recently made by the United Nations Balkan Commission that an international commission be created for a period of at least two years to keep a watchful eye on Greece's northern frontiers. Only through the establishment of such a body, the United States firmly believes, can order be reestablished in Greece, for as long as guerrillas are permitted to escape over the northern borders the Greek army is helpless to cope with them.

The United States, however, is well aware that Russia, which has protested against this proposal—on the ground that it would infringe on the sovereignty of the Balkan states—will probably veto it in anything resembling its original form. This does not mean that the United States is ready to abandon hope of obtaining effective international action on the Greek border problem. It intends to search the Charter for all possible ways of securing United Nations action which would prevent Yugoslavia, Albania and Bulgaria from giving the Greek guerrillas the kind of assistance that eight of the eleven members of the Balkan Commission declare these countries have extended in the past.

IS U.S. AID ENOUGH? The speed with which the United States strengthens the Greek army and reconstructs the nation's economy will also affect the result of the Greek internal struggle. The American mission has already begun to carry out that portion of its assignment which calls for aid to the Greek military forces, and \$35,000,000 worth of United States Army surplus supplies stored in Europe are on their way to Greece. The American staff, however, has

thus far made no attempt to advise the Greek army on the conduct of its operations, although Secretary of State Marshall declared on July 16 that it had the right to do so.

Meanwhile, general economic conditions remain such as to encourage political extremism of both Right and Left. The outbreak of serious fighting along the Albanian frontier has multiplied the difficulties involved in launching the civilian aid program contemplated by the United States. The mission has not only already indicated that it will give priority to military aid, but will find it hazardous to undertake reconstruction projects in areas which may be swept by hostilities. Yet unless the civilian program for economic reconstruction can be pushed into high gear at the same time that steps are taken to strengthen the army, economic misery will continue to breed political tension. Recognizing the importance of making simultaneous attacks upon the military and civilian aspects of the Greek problem, Mr. Griswold, in his first public statement in Athens on July 16, declared that the mission would promptly let contracts for fourteen bridges.

Yet no real pacification of Greece can be achieved by economic and military measures alone. Although the United States is committed to cooperation with the present authorities in Athens, it can hardly continue a hands-off policy toward indiscriminate and repressive actions by the Greek government. If the American mission is to help create an atmosphere conducive to greater moderation and national unity, it must recognize that a strong political policy is the essential counterpart of plans for the reestablishment of order and economic recovery.

WINIFRED N. HADSEL

BRITISH RECOVERY PLAGUED BY GROWING DOLLAR SHORTAGE

Spokesmen for the Labor government in Britain at first greeted the Marshall plan for United States aid to Europe with keen satisfaction. This was quite natural, for all Britishers remember the hard realities of last winter's economic crisis. Coal production which then had to be down has not yet reached a safe margin, and the country still faces the necessity of paring imports to the bone. London also watches with great uneasiness an approaching dollar crisis as the 1946 American loan rapidly dwindles. Last week, however, British government leaders indicated a shift of emphasis in speaking of the Marshall offer. Perhaps the offer was originally regarded in official quarters in Whitehall as a disguise for another loan from Washington. Herbert Morrison on July 8 suggested that a program similar to war-time lend-lease or mutual aid was needed to help Britain achieve a stable economic position. But Foreign Secretary Bevin's speech on July 19 to a coal miners' rally at Morpeth struck a far different note.

He appealed for greater coal production "to keep us as far as you can out of the money lenders' hands." Dollar borrowing, he said was unnatural for both Britain and the United States.

IS BRITISH POLICY CHANGING? Criticism in Britain of recent government orders for import cuts may account for the seeming about-face which cabinet members have made in speaking of Britain's future economic policy and the prospect of further financial aid from the United States. It is more probable, however, that London is modifying its policies so as to adapt them to the broader requirements of the Marshall plan. By now it is clear that the Marshall proposal designates Britain as part of Western Europe, but only a part. Thus Bevin's plea for greater coal production represents British reaction to Marshall's insistence that European nations must first assess their own needs and help themselves before United States aid can become operative.

It is unlikely that the Marshall offer will lead to

any fundamental change in Labor's policies. But American officials have criticized British handling of the coal problem in Germany, and do not fully agree with Laborite plans for nationalization of the Ruhr mines. Nor do they believe that the Labor government has adequately met its coal problem at home. So far these differences are confined to arguments about efficiency and have not yet become disagreements involving the relative merits of production under private enterprise versus nationalized industries. Should Congress insist on more rather than less private enterprise in Europe as a condition of aid under the Marshall plan, the Attlee regime would then face its supreme test.

THE MOUNTING CRISIS. By the beginning of next year, unless real benefits have begun to flow from the current effort at joint European reconstruction, Britain's economy may be close to the stalling point. This was revealed most clearly on July 3 when the Chancellor of the Exchequer, Hugh Dalton, presented a written statement on the new import program to the House of Commons. In an attempt to close the export-import gap, reductions in imports of tobacco, gasoline, paper, films and other consumer goods had been announced at the end of June. Dalton explained, however, that the total volume of imports originally estimated in February for the year 1947 would be maintained. The actual money outlay now planned for the period from mid-1947 to mid-1948 will be greater but, as the Chancellor's statement showed, this increase reflects spiraling prices abroad. May figures, he noted, represent an increase of about 20 per cent over prices in June 1946.

In the House of Commons debate on the import program on July 8, Britain's mounting crisis was not minimized in any way. Neither Dalton, nor the Lord President of the Council, Herbert Morrison, offered any quick solution. The reallocation of imports, they argued, would prevent further cuts in food imports. Exports, on the other hand, must still be increased,

although the original goal of 140 per cent of 1938 volume by the end of 1947 has been abandoned. It is hoped now that exports may reach that point by mid-1948. Special emphasis will be laid on the increase of textile exports in the next six-month period. As if to underline once and for all the gravity of the British trade problem, Morrison declared that if exports and imports were to be balanced immediately, "we should have to cut imports to about 25 per cent below the level now contemplated."

Britain's import curbs must be viewed against the background of the dollar shortage and the continued drain on the American loan. On July 8 Dalton pointed out that at the present rate Britain will have exhausted the loan before the end of this year. Only \$1,500,000,000 is left of the \$3,750,000,000 line of credit originally arranged in July 1946. Another new development, which is linked to the American loan and affects Britain's dollar holdings was the freeing of sterling on July 15 for convertibility into dollars. Conversion of sterling in current transactions was prescribed by the terms of the 1946 loan and has become effective for all but a few countries with which provisional arrangements have been made. This measure does not apply directly to the funding of sterling balances built up during the war, which are owed to India, Egypt, Iraq and other countries.* But these balances, according to the loan, must be funded in due course and, as arrangements for these debts are made, the principle of sterling convertibility will be adhered to.

Both requirements create a further need for dollars. Moreover, Britain is not permitted to lessen the demand for dollars by use of discriminatory import controls since the loan agreement outlaws this device. Britain can, of course, reduce its total imports, but any such move only points up London's economic difficulties. The nation's economic problem is in many ways no more acute than that of other European countries. For Americans who have not followed the worsening economic situation on the continent the British problem illustrates the urgent need for the broader European reconstruction envisaged by the Marshall plan.

GRANT S. MCCLELLAN

*Adjustments on these overseas sterling debts are not required to be made by July 15 as was stated in the *Foreign Policy Bulletin*, June 13, 1947.

I've Shed My Tears, by D. F. Karaka. New York, Appleton-Century, 1947. \$3.00

A moving, personal story as well as an informative analysis of India's recent struggle for freedom by an Indian journalist of the *Bombay Chronicle*.

For background of present controversy about Germany's economic future, read:

THE RUHR: OBJECT OF ALLIED RIVALRIES

by Winifred N. Hadsel

September 15, 1946 issue of FOREIGN POLICY REPORTS

GERMANY: NATION OR NO-MAN'S-LAND

by James P. Warburg

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